

For: FSA Offices

**Applicability of the Debt Collection Improvement Act  
to Delinquent Farm Storage Facility Loans**

Approved by: Acting Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

The Debt Collection Improvement Act of 1996 (DCIA) provides that a person owing delinquent nontax debt to the Federal Government is **ineligible** for Federal financial assistance, including direct loans (other than disaster loans) or loan insurance or loan guarantees.

Notice LP-1930 provided DCIA provisions applicable to marketing assistance loans (MAL) and LDP's. Notice LP-1937 provides clarification for barring Federal debtors.

PSD has been asked when FSFL is considered delinquent and would therefore bar a FSFL borrower from obtaining MAL or LDP's.

**B Purpose**

This notice:

- provides State and County Offices with a reminder that a person who has a delinquent Federal nontax debt is ineligible for FSFL
- clarifies, for DCIA purposes, when FSFL is considered delinquent which may bar a FSFL borrower from obtaining:
  - MAL's or LDP's
  - other Federal loans, including FSA loans
  - loan insurance
  - loan guarantees.

**Disposal Date**

March 1, 2004

**Distribution**

State Offices; State Offices relay to County  
Offices

**2 DCIA and FSFL Eligibility**

**A FSFL Eligibility Reminder**

According to 1-FSFL, subparagraph 43 C, FSFL applicants:

- certify to DCIA compliance on CCC-185
- are ineligible for FSFL if they have a delinquent Federal nontax debt except if they resolve the delinquent debt before FSFL is disbursed
- who are members of joint operations or entities, and are delinquent on any nontax Federal debt, will have their applicable share of FSFL for the joint operation or entity setoff towards the delinquent debt.

**3 FSFL's Considered Delinquent**

**A Delinquent FSFL's for FSFL Purposes**

According to 1-FSFL, paragraphs 150 and 150.5:

- FSFL installments are due and payable no later than the last day of each 12 months of the loan period
- applicants receive the installment reminder letter 45 days in advance of the installment due date which provides:
  - the amount due on the installment due date
  - that, if payment is not received on or before the due date, the:
    - amount due will be recorded for set off
    - entire FSFL may be called
- FSFL's are considered delinquent for FSFL purposes and further collection action is required on the next day after the due date, when the installment principal balance remaining after payment, exceeds \$25.

**3 FSFL's Considered Delinquent (Continued)**

**B Delinquent FSFL's for DCIA Purposes**

County Offices shall:

- consider FSFL's delinquent for DCIA purposes when either of the following occur:
  - a due and payable FSFL installment is not paid in full within 90 days after the due date
  - the installment principal balance, after a due and payable installment is applied, exceeds \$25, within 90 days after the due date
- until another flag is available for DCIA purposes, set the "Other Agency Claim" flag to "Y" in the NAM file for the applicable borrower

**Note:** Unpaid FSFL amounts cannot be transferred to a CCC claim until collateral securing the loan has been liquidated.

- for FSFL delinquent multi-county producers, notify applicable County Offices to set the "Other Agency Claim" flag to "Y"
- query the "Other Agency Claim" flag to inform other interested parties of the borrower's delinquent status.